

Message Text

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PAGE 01 LONDON 05560 01 OF 02 112104Z

70

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 PA-02

PRS-01 USIA-15 CG-00 DOTE-00 ABF-01 FSE-00 /107 W

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R 111849Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0136

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 05560

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING APRIL 11

BEGIN SUMMARY: WAGE DEMANDS IN THE 30 PERCENT PLUS RANGE

CONTINUE TO PLAGUE THE GOVERNMENT. THE GOVERNMENT'S

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PAGE 02 LONDON 05560 01 OF 02 112104Z

CONSTANT URGING FOR RESTRAINT IS SEEMINGLY BEING IGNORED

AS OFFERS IN THE 20 PERCENT RANGE ARE BEING REJECTED AS INADEQUATE. MEANWHILE THE VOLUME OF CONSUMER SPENDING CONTINUES WITH EARLY INDICATIONS OF A RASH OF PRE-BUDGET SPENDING. THE WEAKENING OF STERLING WHICH BEGAN TWO WEEKS AGO CONTINUES. OVER THE WEEK, THE VALUE OF THE POUND FELL 400 POINTS VIS-A-VIS THE DOLLAR. MEASURED AGAINST BRITAIN'S MAJOR TRADING PARTNERS, THE EFFECTIVE DEPRECIATION OF STERLING WIDENED TO THE LOWEST LEVEL SINCE LATE JANUARY.

1. WAGE DEMANDS. LARGE WAGE DEMANDS AGAIN DOMINATE THE LABOR FRONT THIS WEEK. LOCAL AUTHORITY EMPLOYERS ARE FACED WITH A 35 PERCENT PAY INCREASE DEMAND BY 400,000 WHITE-COLLAR WORKERS AND NEARLY ONE-THIRD OF BRITAIN'S 500,000 CIVIL SERVANTS HAVE BEEN ALERTED BY THEIR UNIONS TO PREPARE FOR NATIONAL INDUSTRIAL ACTION NEXT MONDAY (APRIL 14) IF WAGE DEMANDS, BELIEVED TO BE IN THE 30 PERCENT RANGE, ARE NOT MET. THE 40,000 MEMBERS OF THE NATIONAL UNION OF SEAMEN (NUS) TURNED DOWN A 21 PERCENT OFFER. NEGOTIATIONS CONTINUE WITH THE NUS SEEKING INCREASES OF UP TO 40 PERCENT AND AN INDEXATION LINK.

2. CONSUMER SPENDING. REVISED FIGURES RELEASED THIS WEEK SHOW THAT CONSUMER SPENDING IN THE UK CONTINUES AT HIGH LEVELS. FOR FEBRUARY, THE VOLUME OF CONSUMER SPENDING INDEX STOOD AT 112.3 (1971 EQUALS 100) COMPARED TO 113.0 IN JANUARY, AND 110.8 IN DECEMBER. PRELIMINARY REPORTS FROM THE RETAIL TRADE INDICATE THAT THE PACE CONTINUED IN MARCH WITH A CONSIDERABLE INCREASE IN THE LAST 2 WEEKS ATTRIBUTED TO "PRE-BUDGET BUYING."

3. EXCHANGE RATES. THE POUND CONTINUED THE DOWNWARD TREND WHICH HAS BEEN WITNESSED OVER THE PAST 2 WEEKS. AGAINST THE DOLLAR, STERLING DROPPED TO \$2.3625 ON THURSDAY, APRIL 10, ITS LOWEST LEVEL SINCE LATE JANUARY. NERVOUSNESS OVER THE APRIL 15TH BUDGET, A FIRING OF THE DOLLAR AND A WEAKENING OF SHORT-TERM STERLING INTEREST RATES COMBINED TO EXERT CONTINUED DOWNWARD PRESSURE IN WHAT IS STILL A RELATIVELY THIN STERLING MARKET. ON A TRADE-WEIGHTED BASIS, THE EFFECTIVE DEPRECIATION OF STERLING WIDENED TO 21.9

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PAGE 03 LONDON 05560 01 OF 02 112104Z

PERCENT (MEASURED AGAINST SMITHSONIAN RATES). THIS IS THE LOWEST LEVEL FOR STERLING SINCE JANUARY 30, AND IS EQUAL TO THE WEAKEST POSITION SINCE THE BANK OF ENGLAND HAS BEEN CALCULATING THE MEASURE.

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PAGE 01 LONDON 05560 02 OF 02 111907Z

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PRS-01 USIA-15 CG-00 DOTE-00 ABF-01 FSE-00 /107 W

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R 111849Z APR 75

FM AMEMBASSY LONDON

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INFO AMEMBASSY BERN

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UNCLAS SECTION 02 OF 02 LONDON 05560

4. EXCHANGE RATE AND GOLD:

	4/4	4/10	CHANGE
EXCHANGE RATE	\$2.4025	\$2.3625	DOWN \$0.0400
EFFECTIVE DEPRECIATION			
(PERCENT)	21.3	21.9	DOWN 0.6

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PAGE 02 LONDON 05560 02 OF 02 111907Z

GOLD \$176.00 \$172.50 DOWN \$3.50

5. FORWARD DISCOUNT ON STERLING:

	4/4	4/10	CHANGE
1 MONTH	0.85	1.05	UP 0.20
3 MONTHS	2.75	2.95	UP 0.20
6 MONTHS	5.74	5.95	UP 0.26

(ALL FIGURES IN CENTS)

6. EURODOLLAR INTEREST RATES:

	4/4	4/10	CHANGE
1 MONTH	6-1/4	6-1/4	UNCHANGED
3 MONTHS	7-3/8	7-1/8	DOWN 1/4
6 MONTHS	7-3/4	8-1/8	UP 3/8

7. LOCAL AUTHORITY DEPOSIT RATES:

	4/4	4/10	CHANGE
1 MONTH	9-13/16	8-15/16	DOWN 7/8
3 MONTHS	10	9-9/16	DOWN 7/16
6 MONTHS	10-1/4	9-15/16	DOWN 5/16

8. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 10 PER-CENT ON FRIDAY, APRIL 11, 1975.

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Margaret P. Grafeld
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EO Systematic Review
05 JUL 2006

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